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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/07

SPONSOR Salazar LAST UPDATED \_\_\_\_\_ HB 284

SHORT TITLE Small Business Corp. Distributions SB \_\_\_\_\_

ANALYST Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$11,000.0	\$12,500.0	Recurring	Small Business Investment Corporation

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

State Investment Council (SIC)

Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 284 increases the State Investment Council's (SIC) investment from the severance tax permanent fund (STPF) in the Small Business Investment Corporation (SBIC) to one percent from 0.75 percent.

There is no effective date in the bill so it is assumed that the effective date is June 15, 2007.

### FISCAL IMPLICATIONS

The balance of the STPF at the end of calendar year 2006 was \$4.4 billion and the level of investment in the SBIC by SIC was \$30 million, slightly below the target of 0.75 percent. Due to the shifting nature of investments, the level at any single point in time will likely not be exactly on target and it is reviewed on July 1<sup>st</sup> of each year to rebalance the investment. The target amount of investment is \$32.9 million so by raising the percentage of the fund that gets

invested to 1 percent, the new target level is \$43.8 million. The FY07 impact than is \$11 million in increased investment in SBIC. In FY08, it is assumed that the STPF grows by 8 percent and the SBIC new investment of \$11 million grows by 5.9 percent making the fiscal impact \$12.5 million (\$11.8 million in SIC investment and \$646 thousand in SBIC interest on \$11 million).

The only fiscal impact felt by SIC is any lower return that may result from increasing the investment in SBIC rather than investing that amount in other financial assets. The fiscal impact could be positive or negative though economically targeted investments like SBIC do not have market return as their primary goal. ETIs are investments in New Mexico banks, companies, and other activities with the goal of promoting and developing New Mexico resources.

Economic Development Department (EDD):

The Small Business Investment Corporation is a non-profit, public corporation that assists companies in creating jobs and increasing capital investment in communities by making equity or debt investments in small businesses. SBIC invests in ventures capital funds that target business in disadvantaged communities in New Mexico. These companies are predominantly located in rural New Mexico. Two funds that are part of the Homefield Advantage Program, New Mexico Community Capital and Mesa Ventures, target traditional New Mexico businesses that need capital to expand.

Additionally, the SBIC has investments in micro-lenders that target disadvantaged businesses and entrepreneurs. These micro lenders will businesses capital from \$200 to \$100,000 for working capital, inventory and equipment.

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